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FM AMEMBASSY DAKAR  
TO RUEHC/SECSTATE WASHDC PRIORITY 1061  
INFO RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0062  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOG/USDOC WASHDC  
RUEHLMC/MCC WASHDC  
RUEHZK/ECOWAS COLLECTIVE

UNCLAS SECTION 01 OF 02 DAKAR 001011

SIPDIS  
SENSITIVE

DEPT FOR AF/W, AF/EPS, EB/IFD  
ABU DHABI FOR TREASURY/GRIFFERTY  
TREASURY FOR RHALL AND DPETRES

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [PGOV](#) [ETRD](#) [EAID](#) [KCOR](#) [SG](#)

SUBJECT: PRESIDENT WADE FIRES BUDGET MINISTER AFTER REVELATIONS OF  
IMPROPER PAYMENTS

REFS: A. DAKAR 661, B. DAKAR 813

DAKAR 00001011 001.2 OF 002

¶1. (SBU) Summary: During an August 7 cabinet meeting, President Wade fired Budget Minister Ibrahima Sarr and named Mamadou Abdoulaye Sow, a career Senegal Treasury official, as the new Minister. The Presidential decree to remove Sarr -- which came just hours after Wade met the IMF Resrep -- followed an internal audit that revealed the disbursement of unauthorized and unjustified funds to several Ministries and Agencies. The appointment of the respected technocrat Sow as Budget Minister should strengthen the hand of Finance Minister Diop in his efforts to assure that all GOS financial commitments are reflected in the government's actual budget. End Summary.

#### A DECREE TO CLEAN UP TREASURY "BLACK HOLE"

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¶2. (U) On August 7, President Wade fired his Minister of Budget, Ibrahima Sarr, for committing Senegal's Treasury to finance unbudgeted expenditures and taking on other funding obligations in excess of CFA 109 billion (USD 259 million). According to Senegalese law, such extra-budgetary disbursements require specific approval by the National Assembly. The decision to fire Sarr came after an audit carried out by the Ministry of Finance's Inspectors General division, which had been requested by Minister of Finance Abdoulaye Diop and IMF Resrep Alex Segura in reaction to Senegal's increasing budget deficit and revelations of a larger than reported stock of unpaid invoices owed to private suppliers and contractors. Though reports differ on the total amount of unjustified expenses, with some claiming it could be as high as CFA 450 billion (USD 1.07 billion), Minister Diop publically stated that the situation was "manageable," but he declined to comment directly on the size of the "financial black hole."

¶3. (SBU) Sources from the Ministry of Finance claimed that Sarr took a significant portion of funds previously obligated to pay private suppliers and also committed additional unbudgeted expenditures to finance the extra-budgetary spending of a number of ministries and national agencies. Sarr apparently planned to pay the private suppliers with the proceeds from the sale of bonds issued in June 2008. Unfortunately, as reported in Ref B, the June bond issuance fell short with only CFA 65 billion (USD 155 million) purchased out of the total offering of CFA 100 billion (USD 238 million), and, in the end, the money was not used to pay the arrears. Our sources confirmed that out of the CFA 65 billion collected from the bond sale, CFA 35 billion was used to help with the recapitalization of the state electricity company Senelec, CFA 10 billion was for food subsidies, and the remaining CFA 20 billion for the government operating budget, including the payment of civil

service salaries.

¶4. (SBU) According to MinFin sources, ANOCI (the National Agency for the Organization of the Islamic Conference, which is run by President Wade's son Karim Wade) was a major recipient of these extra-budgetary expenses, receiving perhaps as much as CFA 200 billion (USD 476 million), purportedly for costs associated with the infrastructure projects leading up to the March 2008 OIC Summit in Dakar. The Ministry of Infrastructure and Transportation received CFA 12 billion (to support infrastructure projects), and the Ministry of Interior CFA 3 billion (for the OIC Summit and the 2007 presidential and legislative elections). The Ministries of Education, Habitat and Urban Development, Health, Water/Hydrology, Environment, Handicraft, and Maritime Economy all signed contracts that did not conform to Senegal's formal budget. President Wade reportedly ordered the Ministries which received these irregular funds -- but not ANOCI -- to submit explanations and justifications of their actions.

#### APPOINTMENT OF A TREASURY VETERAN

¶5. (SBU) At the same August 7 cabinet meeting, President Wade announced without comment the appointment of Abdoulaye Sow as the new Minister of Budget. Sow, who is known strictly as a technocrat, is reported to have been the Finance Minister's choice. Sow will likely play a carefully subservient role to Minister Diop, unlike Sarr, who reportedly acted without the MinFin's consent on the extra-budgetary expenditures, and perhaps in other areas. [Note: The budget portfolio is actually designated as a Junior Ministry under the Finance Ministry. End note.]

¶6. (SBU) Bio note: Abdoulaye Sow is a 30-year treasury service "veteran" who is among the most senior career civil servants at the Ministry of Finance. Sow graduated from the National School of Administration and Magistracy with a degree in economics. He was

DAKAR 00001011 002.2 OF 002

most recently the Finance Minister's Director General of the Treasury and prior to that was the Director of Public Accounting.

#### COMMENT

¶7. (SBU) The lack of a complete audit of extra-budgetary commitments and the need to formulate a plan for the payment arrears have been some of Senegal's most troublesome issues for the IMF (and donors). Authorizing the audit was a very good first step. Dismissing Sarr was probably also necessary. In an August 25 meeting with the Ambassador (reported Septel), Finance Minister Diop expressed his apparent relief that Sarr had been dismissed. While Sarr was a respected Ministry of Finance official, he is also reportedly close to Karim Wade and ruling party politicians. To the extent that Sarr was able to operate outside of MinFin oversight, the political pressure on him to authorize payments for pet projects for ministries would have been intense. The next question is whether all the firms who signed contracts with the various ministries and agencies, many knowing that the contracts did not have Ministry of Finance approval, will be paid. A large number of these firms are facing serious liquidity problems as a result of the arrears, and this fiscal knot could continue to have a negative impact on Senegal's GDP growth and business climate for months to come.

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